



SUSTAINABILITY REPORT 2015



Bega Cheese has been the heart and soul of economic sustainability in the Bega Valley since its establishment in 1899.

Today the company has grown into a \$1.1 billion business that extends throughout New South Wales and Victoria, producing a wide range of high quality dairy products. The company's home town of Bega and its unspoiled farming environment has made Bega Cheese famous.

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JOINT CEO/CHAIR STATEMENT



DELIVERING ON A PROMISE

Any environmental or sustainability risk has the potential to impact the company, its suppliers, the community and customers.

Therefore, investing in (and reporting on) the Bega Cheese Group's areas of environmental and sustainability risk is not only important in upholding the company's values and history, it also makes good business sense.

It assists to minimise risks to the value of our business, helps secure a healthy environment and enhances the wellbeing of the community.

But more than this, it delivers on the promise we make to the general public each and every day.

Today, this is a promise that needs to be supported by evidence more than ever before. Our customers and the wider community are increasingly seeking to understand and confirm that the business is doing the right thing – by the environment, our employees, our suppliers and the communities in which we operate.

A UNIQUE STORY TO TELL

While there remains much work to be done, we have a story to tell that documents our sustainability journey.

Bega Cheese Group provides a sustainable way of life for over 400 dairy farms throughout south-eastern Australia.

We provide direct employment for more than 1,600 people.

Bega Cheese is considered the biggest employer in the Bega Valley, and the local council estimates the value of our contribution to gross regional product at \$1.57 billion.

Ninety-three per cent of the milk supplied to Bega Cheese is done so by farms participating in our Sustainability and Growth Program.

Bega Cheese's Sustainability and Growth Program, launched in 2014, has resulted in more than \$50 million being invested in on-farm sustainability and growth initiatives.

In what is regarded as a male-dominated industry, nearly a quarter of Bega Cheese's management roles are filled by women.

While the Bega Cheese Group's production has grown during the past five years, our energy intensity has decreased by seven per cent.

These activities along with many others are examples of our contribution to the Australian dairy industry's broader commitment to sustainability, guided by the Australian Dairy Industry Sustainability Framework.

A CULTURE OF CONTINUOUS IMPROVEMENT

Yes, there are areas in which Bega Cheese can improve. With 116 years of success we know that you only achieve through a culture of continuous improvement.

By sharing our environmental and sustainability story, we have a story that reflects the brand we have built and a commitment to improve on it in the years to come.

Barry Irvin
Executive Chairman, Bega Cheese Group

Aidan Coleman
CEO, Bega Cheese Group

SUSTAINABILITY SNAPSHOT

CONTEXTUAL

over 400

dairy farms situated in south-eastern Australia that supply the Bega Cheese Group

94% of milk suppliers participating in on farm BEMS Sustainability Assessment

93% of direct milk supply engaged in Sustainability and Growth Program

over \$50m

invested in on-farm sustainability and growth initiatives

224,986t

the volume of dairy product output in FY2015

ECONOMIC

\$1.1b 4.2% increase in revenue for FY2015



> 1,600
No. of employees



SOCIAL

11% the reduction in the number of lost time injuries (LTIs) in FY2015

22% the proportion of women who fill management roles

Increasing financial support for local community organisations

Employee benefit fund

ENVIRONMENT

7% reduction in production energy intensity over the last five years

Achieved better than target carbon and energy intensity for FY2015



61% of Group's solid waste recycled in FY 2015

ABOUT BEGA CHEESE GROUP

The Bega Cheese Group receives, processes, manufactures and distributes dairy products both at home and abroad with a presence in more than 40 international markets.

AT HOME

Bega Cheese has seven sites in south-eastern Australia. Cheddar cheese, butter and whey powder are manufactured at the Lagoon Street site, North Bega; consumer products at our Processing and Packaging sites (Ridge Street, North Bega and Strathmerton, Victoria); and cheddar and liquid by-products at the Coburg site. Tatura Milk Industries (TMI) is a wholly owned subsidiary of Bega Cheese and produces cream cheese, butter, a range of dairy powders and nutritional powders and Bio-nutrients at facilities in Tatura and Derrimut in Victoria.

...AND ABROAD

On top of an extensive Australian market, Bega maintains a broad customer base, including manufacturers, retailers and distributor agents in markets in South East Asia, China, Japan and the Middle East.

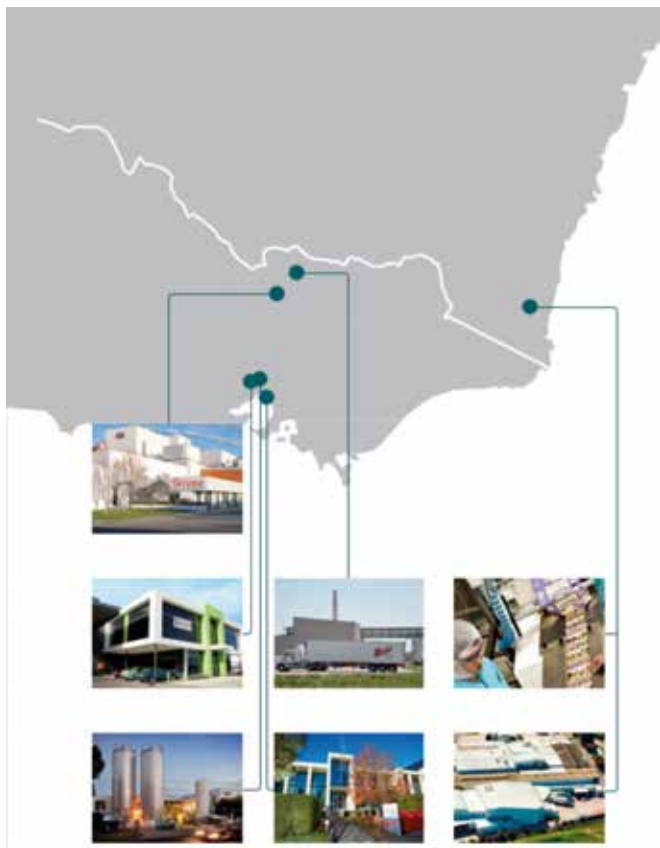
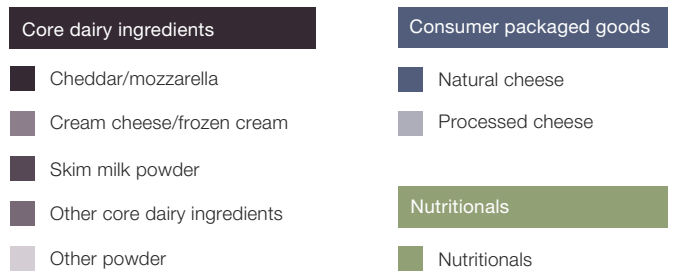
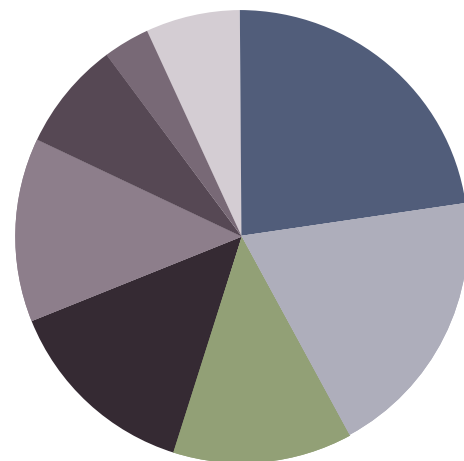


Figure 1: Bega Cheese Group operates at seven locations in NSW and Victoria in south-eastern Australia.



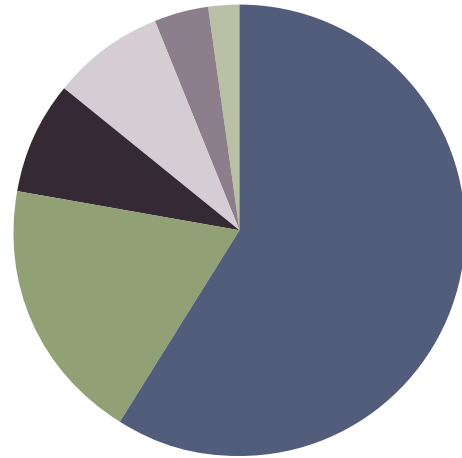
Graph 1: Bega Cheese Group achieved record production output in FY2015 with total volume increasing by 4.2% to 224,986 tonnes.

ABOUT BEGA CHEESE GROUP (CONT.)

The chart to the right shows sales distribution across the most significant countries and regions.

Bega Cheese Group has a number of long term key international customers from Japan, France, the Middle East, USA and an increasing range of nutritional, food service and ingredient customers in China. Figure 2 below shows countries where products from Bega Cheese are exported.

BEGA CHEESE PRODUCT SALE TONNES BY COUNTRY/REGION



- Australia – 59%
- South East Asia – 19%
- Japan – 8%
- China – 8%
- Middle East / Africa – 4%
- Other Countries – 2%

Graph 2: Bega cheese product sale by country/region

SUSTAINABILITY

So what does this have to do with sustainability?

When Bega Cheese thinks about customers and their requirements, a strategy to deliver an efficient sustainable supply chain is a key consideration.

This begins by considering the long-term sustainability of milk supply and the expectations customers (and wider community) have about raw material sourcing and manufacture of products.

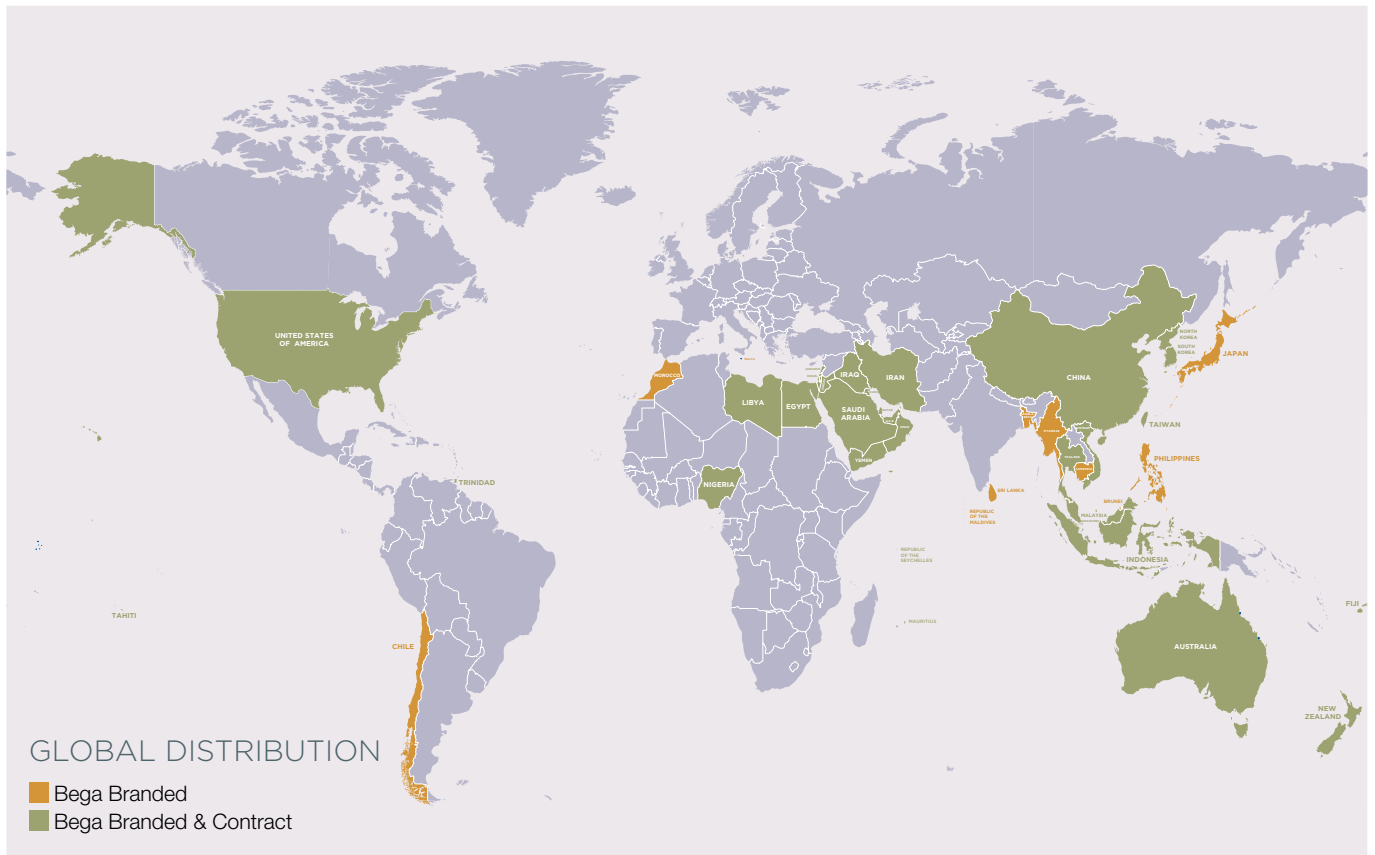


Figure 2: South East Asia, China, Japan and the Middle East are key markets for the global distribution of Bega Cheese Group branded and contract products.

ABOUT THIS SUSTAINABILITY REPORT

Bega Cheese Group always considers the economic, environmental and social impacts of our manufacturing sites. Customers and the wider community are increasingly seeking to understand and confirm that the business is doing the right thing – by the environment, our employees and the communities in which we operate.

The initial list of material issues for the first Sustainability report includes:

- Economic contribution, particularly relationships with farmers
- Environmental compliance and resource consumption including energy, water, waste and packaging
- Staff employment, health & safety and training & education
- Responsibility for products including safety and quality
- Broader social responsibilities including governance, customer expectations on bribery & corruption and animal welfare

HOW WE DO BUSINESS

This report covers activities across the business during FY2015 and importantly, identifies opportunities to continuously improve the report over time.

Reporting on the environmental, social and environmental sustainability performance of the Group is now a part of how we do business.

As such, where possible the Global Reporting Initiative's (GRI) principles for defining report content is used. The Group will develop its capacity towards best-practice in future reports.

In developing the content for this initial report, Bega Cheese examined:

- The risk framework and risk register for economic, social and environmental sustainability risks;
- The content of supply chain questionnaires from major customers and their primary areas of concern;
- GRI's Sustainability Topics for Sectors: What do stakeholders want to know? and
- The objectives and targets of the Australian Dairy Industry Sustainability Framework.

INVOLVING STAKEHOLDERS

In developing future reports, Bega Cheese will further explore these issues and formally include stakeholders in discussions on the report and its structure.

This will help to determine the issues which are most significant to the business and stakeholders – and the places where they are most significant in the Australian Dairy Industry value chain (refer Figure 3). While we may not have direct control over some of these issues, Bega Cheese has an important contribution to make to an industry-wide responsibility.

Up until this point, formal stakeholder engagement has typically focussed on fulfilling the Group's responsibility as a publicly-listed company.

Engagement with community and partners has been less structured and has occurred when necessary, for example, during contract renewals and negotiation of supply and services agreements and when advising the community of significant activities at regional sites.

To improve on this, and bring stakeholders along on our sustainability journey, the Corporate Procurement team will include engagement as part of future contract and service agreements to ensure any issues for the Group and its partners are identified and regularly reviewed.

AUSTRALIAN DAIRY INDUSTRY VALUE CHAIN

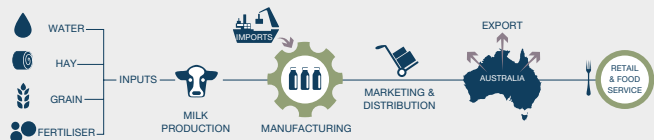


Figure 3: The Australian dairy industry value chain.

A REPORT WITH RIGOUR

This report outlines Bega Cheese Group's performance on sustainability topics that are material to its operations for the FY 2015 (1st July 2014 to 30th June 2015), and will establish the baseline to which we will report ongoing year-on-year data trends.

Bega Cheese Group's Sustainability Report and Annual Report 2015 contain Standard Disclosures from the GRI Guidelines and a GRI Content Index can be found on the Bega Cheese website. The content of this report has not been the subject of any external assurance, with the exception of information excerpted from the Bega Cheese Group Annual Report 2015.

At the time of publication National Greenhouse and Energy Reporting (NGER) data for the company is not externally assured. We will progress towards external auditing and complete external assurance.

This Sustainability Report covers Bega Cheese Limited and the 100 per cent subsidiary Tatura Milk Industries Limited, which are together referred to as Bega Cheese Group. The joint venture Capitol Chilled Foods (Australia) Pty Ltd is a 25 per cent joint venture of Bega Cheese and is not included in this report.

LOOKING AFTER OUR SUPPLY CHAIN

Bega Cheese Group's success has been built on the foundations of long-term relationships with farmers who provide fresh milk as the essential raw material.

Understanding the potential impacts on the environment, producing a safe product, and respecting the work of dairy farmers is important.

Bega Cheese Group regularly engages with milk suppliers, seeking feedback on issues that may be affecting their long term sustainability. These discussions will include infrastructure, regulatory frameworks, trading conditions, pricing and other matters. Bega Cheese works directly with farmers as well as representing their interests to Government and other relevant authorities.

A SUSTAINABLE MILK SUPPLY

Procurement of milk is managed by the Farm Services teams. The Farm Services teams work closely with milk suppliers to help them improve the long-term sustainability of their business through the implementation of the Bega Environmental Management System (BEMS). The Farm Services team in partnership with Bega TAFE, also facilitate training opportunities such as relief milker courses and the Certificate 3 & 4 in Agriculture. This encourages new people to enter the industry and provides post-school education. Additional financial support is provided in management and leadership training and education.

The pick-up and delivery of milk from dairy farms to our factories is implemented by a third-party carrier overseen by the Supply Chain team.

A SUSTAINABLE SUPPLY CHAIN

Bega Cheese has an integrated end-to-end supply chain function.

The sourcing of all raw materials and packaging, utilities, and key goods and services is managed by the Group Procurement team (residing within the Group Supply Chain

function). This team is also responsible for the ongoing contract and performance management of suppliers, including payment terms. Where possible and commercially viable, Bega Cheese endeavours to procure goods and services from local suppliers.

FARM SUSTAINABILITY AND MILK GROWTH

There are over 400 dairy farms situated in south-eastern Australia that supply the Bega Cheese Group.

In 2014, Bega Cheese launched the Milk Sustainability and Growth Program designed to encourage investment by farmer suppliers in farm sustainability and milk growth.

The program placed Bega Cheese in a strong position in relation to milk supply, provided an innovative connection with dairy farmers and made an investment to sustainably increase milk supply into the future.

As a result, the program achieved the following outcomes to June 2015:

- 93 per cent of the direct farm milk supply is now participating in the sustainability program and have signed supply agreements;
- 55 per cent of the milk supply is participating in the milk growth program;
- 469 milk growth projects will be initiated across the three years of the program;
- 29 per cent projected milk increase from participating suppliers over the three years of the program; and
- Bega Cheese's \$25 million investment in the Sustainability and Growth Program has initiated over \$50 million of investment in on farm initiatives. This includes an estimated \$33 million in co-commitment from farmers to these projects.

Sector	% of Non Milk Spend	# of Suppliers	Supplier Location
Ingredients	25%	60	Majority o/s
Packaging	7%	25	Majority local
Transport & Logistics	7%	20	Local*
Energy	3%	5	Local*
Other Goods & Services	13%	1000+	Majority local
Total	55%		

Table 1: An overview of third-party expenditure and suppliers (excluding milk).

* Note: 'Local' means in south coast NSW. For the operating sites in Victoria local will be operating within the state.

THE ENVIRONMENT AND OUR SUPPLY CHAIN

At Bega Cheese Group, we are aware of our ability to influence the environmental aspects of farming outside our operational control we use this influence to improve the environmental footprint of the dairying community. In 2005, the Bega *Environmental Management System* (BEMS) was piloted on 20 farms in Bega to help improve the long-term sustainability of our milk supply base.

From modest beginnings in the Bega region, the program has spread across all supply regions. Today, 93 per cent of suppliers across the Group have completed a BEMS Sustainability Assessment as part of the BEMS program – which has 94 per cent participation of suppliers across the Group.

BEMS is a voluntary continuous improvement program. In the program sustainability risks on dairy farms are identified and the information is used to develop extension programs and secure resources to support farmers to reduce the risks and improve long term viability of dairying.

The BEMS sustainability assessment focuses on 15 priority areas. Figure 4 shows the adoption of industry recommended practices for each of the 15 priority areas across the supply group. This information will be used to develop new extension programs and as a foundation for measuring improvements in management practices over time.

Table 2 shows the activities implemented by the BEMS program in 2015.

In 2015 BEMS on-ground works and extension activities have focussed on nutrient management, riparian protection and enhancement, farm safety and professional development workshops specifically focussing on greenhouse gas reduction.

In addition to BEMS, Bega Cheese works closely with its suppliers to identify and address key issues that are important to them.

PERCENTAGE COMPLETION OF RECOMMENDED MANAGEMENT PRACTICES

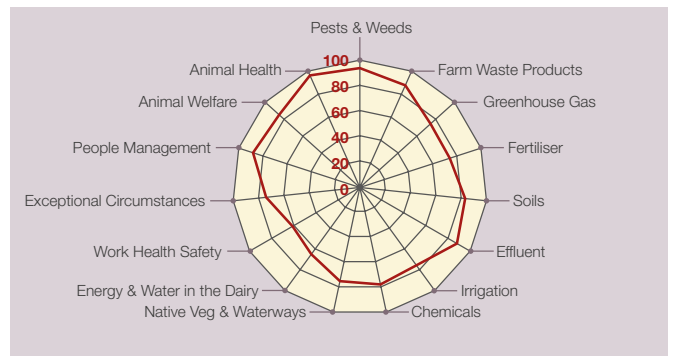


Figure 4: Percentage adoption of recommended management practices by BEMS participants.

Over the past year, these issues have included:

- DPI Water IPART water pricing review
- Representing suppliers in Murray Darling Basin Senate enquiry
- The repair to the Cochrane Dam near Bega, and water access
- Issues around Coal Seam Gas (CSG)

ANIMAL WELFARE

The basic, raw material for Bega Cheese is fresh milk. So, our operations depend on the productivity of dairy cows – and this means their health and welfare.

Bega is aligned with the “Code of Practice for Welfare of Animals” and reviews activities on the farms participating in the BEMS program to this standard.

A National “Australian Animal Welfare Standard” is proposed but not yet adopted by all states. Bega Cheese will review and develop the BEMS program to comply with a national standard.

Region	Event Name	No of events / participants
Bega	Professional development days	12
	BEMS on-ground contracts approved this year*	20
Western District	Service provider workshops	1
Gippsland	Service provider workshops	1
Tatura	Professional development days	18
	Nutrient Management plans	20
	Farm safety days	3

Table 2: BEMS Extension Activities carried out in regions (during FY2015).

ECONOMIC IMPACT IN CHALLENGING TIMES

SUPPORTING REGIONAL LIVELIHOODS, ECONOMIES

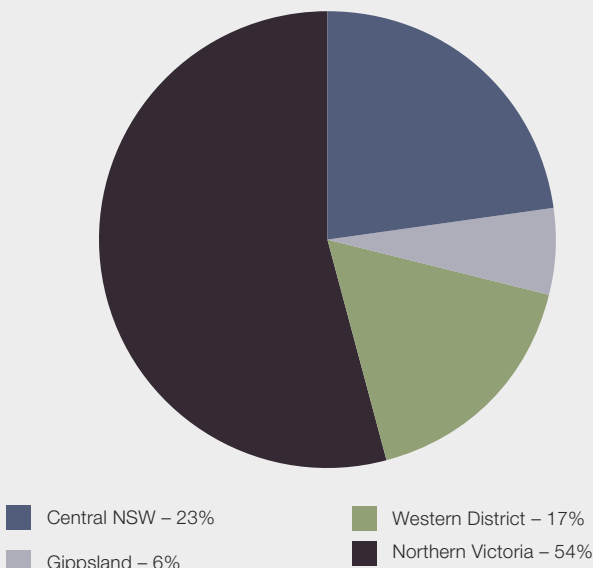
Bega Cheese Group is a \$1.1 billion corporate entity, employing over 1,600 people and operating over seven sites in New South Wales and Victoria receiving milk from over 400 supplier farms.

Bega Cheese is considered the biggest employer in the Bega Valley (home to a residential population of 33,500) where the local council estimates the value of gross regional product at \$1.57 billion.

The Group's operations at Tatura in north-eastern Victoria contribute to the value of milk production being second only to fruit in the Greater Shepparton local government area, where one in 10 people are employed in agriculture, forestry and fishing.

In the neighbouring Moira shire where our Strathmerton operations are based, the food processing sector, including mainly dairy products (output \$632m) is the largest sector based on economic output. The value of agricultural production is estimated at approximately \$300 million and employs 28.7 per cent of the population.

BEGA CHEESE \$ SPEND FOR MILK BY REGION



Graph 3: An overview of the estimated value of payments made to milk suppliers by Bega Cheese Group, region by region.

GROWING MILK SUPPLY, VALUE-ADDED PRODUCTS

The key economic issue for the Australian dairy industry over the past 12 months has been managing strong opening committed milk prices to milk suppliers against the backdrop of a collapse in global dairy commodity markets.

Bega Cheese Group focussed operations on optimising financial returns by extracting the best value from milk solids sold into dairy commodity markets whilst still maintaining supply of a range of products to customers.

However, with the proportion of our portfolio comprising dairy commodities, particularly skim milk powder, we are not immune from market contraction.

The committed milk price to farmers and the returns available from dairy commodities on global markets had a direct adverse impact on the financial performance of the Bega Cheese Group in FY2015.

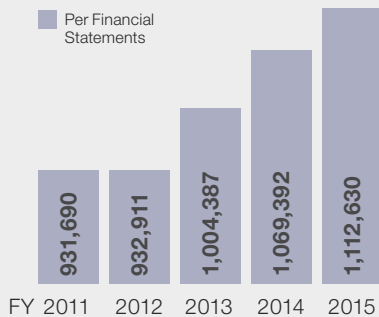
Strategically, this fall in global commodity prices delivered several important outcomes that helped the fundamentals of Bega Cheese remain sound. This included the growth of the company's value-added products which saw approximately six per cent growth in milk supply.

Notwithstanding recent economic challenges, investment in the business was considered vital to our long-term sustainable success and those regions where the Group makes a significant contribution to the local economy.

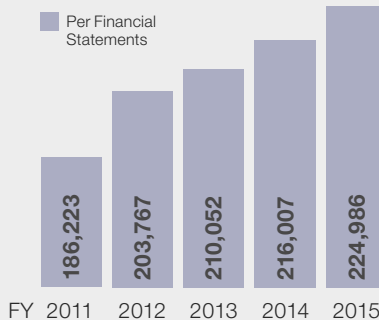
Even though the vast majority of the Group's milk supply is committed for three years, Bega Cheese has to meet the competition in relation to the milk price it paid to farmers in FY2015. Bega Cheese is pleased to report that milk suppliers received a highly competitive farm gate milk price in addition to the support received under the Milk Sustainability and Growth Program, positioning both the farmer suppliers and the Group well for the future.



REVENUE (\$'000)



PRODUCTION VOLUME (TONNES)



Graph 4: Total revenue and volume of production achieved by Bega Cheese Group in FY2015.

MANAGING KEY ECONOMIC SUSTAINABILITY RISKS

Economic sustainability risks for Bega Cheese is substantively controlled by:

- Meeting customer expectations globally;
- Investing in efficient globally competitive infrastructure;
- Maintaining a culture of innovation and continuous improvement;
- Effective fiscal management;
- Responding to changes in the Australian and overseas markets; and
- Facilitating growth through appropriate acquisition.

The Group has medium- and long-term contractual arrangements with key partners assisting domestic marketing with market share performance criteria as well as contingency planning to develop new business.

Brand performance monitoring and market research is tasked to the sales and marketing team.

The Export team maintains direct relationships with overseas agents and in-country advisors, and also monitors regulatory changes in key countries.

The Operations team maintains focus on continuous improvement and cost control at the lowest possible level on the production line and innovation is facilitated by collaborative effort coordinated by the technical team based mainly on major customer expectations and market research.

BROOKVALE

Bega
SINCE
1899

THE GREAT AUSTRALIAN CHEESE COMPANY

105 Yuramie Pastoral Co

[Blank white sign]

AMUSEMENTS

A RESPONSIBLE EMPLOYER, COMMUNITY PARTNER

Bega Cheese Group is a major business in regional cities and towns in south-eastern Australia. Primarily based in regional locations, the sustainability of the communities is a fundamental cornerstone of the Group’s approach to business, with support of local organisations.

Bega Cheese provides support to charity through monetary contributions, while encouraging our staff to participate in volunteer work and partnering with organisations to support rural activities such as the Australian National University Rural Clinical School.

There are over 1,600 people employed across seven locations in the Bega Valley of New South Wales and regional Victoria. More than 1,300 of the employees are on collective bargaining agreements (representing approximately 80 per cent).

SOCIAL DIVERSITY AND EQUAL OPPORTUNITY

Bega Cheese has an emerging pool of capable, energetic and passionate young leaders.

These people are crucial in fulfilling our growth aspirations in the coming years.

A key focus of the Group’s CEO is to develop an organisational structure that speeds up decision-making, enables greater accountability and develops new leaders for more demanding senior roles in the future and envisage that many of these roles could be filled by women.

Women currently fill 22 per cent of the Group’s management roles and 28 per cent of non-manager roles.

Bega Cheese also promotes the development of leaders within the agricultural sector by sponsoring suppliers to attend leadership development programs.

Bega Cheese is an equal opportunity employer and our sites typically reflect the demographics and mix of the communities and location where they are situated.

A SAFE WORKPLACE

The Group’s goal of providing a safe workplace is central to our core value of *Safety Always*.

To achieve this goal, Bega Cheese is committed to continuous development and improvement of safety systems, processes and staff engagement.

Bega Cheese operates a comprehensive risk framework and safety management system which has set measurable

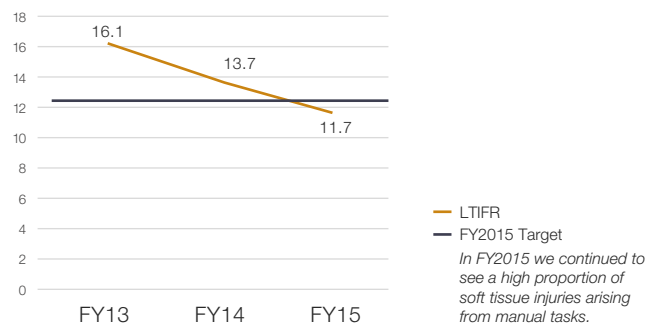
objectives and targets aimed at eliminating all work-related injuries and illnesses. Management is held accountable for performance against health and safety objectives and targets.

Minimum standards for worker health and safety are supported by a set of “golden rules” which applies to all employees, contractors and visitors working on or visiting any site or office.

The Group’s safety performance is on a path of continuous improvement. Lost time injuries (LTIs) reduced 11 per cent in FY2015 and the lost time injury frequency rate (LTIFR) reduced by 17 per cent.

The Group’s actual LTIFR 11.7 and TRIFR 28 for FY2015 were lower than our target and in the line with the culture of continuous improvement targets will be lowered for FY2016.

LOST TIME IN FREQUENCY RATES (LTIFR)



TOTAL RECORDABLE INJURY FREQUENCY RATES (TRIFR)

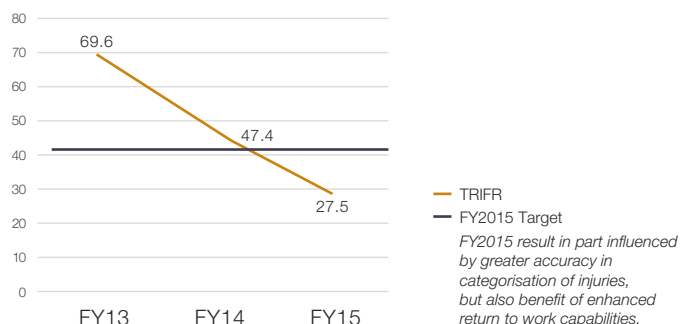


Figure 5 : Lost Time in Frequency Rates (LTIFR) and Total Recordable Injury Frequency Rates (TRIFR).

A RESPONSIBLE EMPLOYER, COMMUNITY PARTNER (CONT.)

The Group has implemented rules for the reporting of incident statistics based on common industry practices. These rules utilise many of the definitions of AS/NZS 1885.1 – 1990 and are broadly aligned to the International Labour Organisation code of practice.

All levels of management are required to participate in “Safety Walks” with the aim of promoting a safe work environment by engaging with employees and contractors. Participation in safety walks is a key performance objective for all senior managers across the Group.



Figure 6: The “Golden Rules” at Bega Cheese Group are minimum standards of safety to assist in protecting people from the risks most likely to cause serious injury, illness or death.

TRAINING AND EDUCATION

All Bega Cheese employees working in operational areas receive specific training relevant to those areas (i.e. chemical handling, Hazard Analysis and Critical Control Points).

The performance management process, succession planning and talent development initiative identify opportunities for further development. This can be on an individual basis or for groups of people and can include:

- Leadership development programs;
- Exchanges or visits with other organisations; and
- Participation in cross-functional projects.

All of these opportunities result in the broadening of capabilities beyond an employee’s current role.

All Bega Cheese employees undertake code of conduct training, which covers safety, behaviour, bribery and corruption, as part of their inductions and refresher training, which incorporates anti-corruption.

Our Fraud and Corruption Training Program, which provides specific training on fraud and anti-corruption, was developed

as part of the Group’s e-learning program. This has been rolled out across all sites to senior management, general management and targeted staff in high exposure positions, for example the Procurement Manager who is responsible for contracts in the millions of dollars.

Of the company’s management team (CEO, general managers, senior managers and managers), 33 of the most senior managers with major contract responsibilities are enrolled in the recently developed e-learning Fraud and Corruption Training Program (Source: Workplace Gender Equality Agency report). All managers have participated in a fraud and corruption training presented by the Governance and Risk Group. The company is working towards full participation in the e-learning program.

SUPPLY CHAIN WORKFORCE

Bega Cheese Group quality system includes a comprehensive vendor assurance program that is designed to audit and assess supplier practices and their policies to ensure compliance with Bega Cheese requirements. Preliminary assessment prior to entering into a tendering process with a potential supplier includes a review of their present customer base and delivery to existing customer requirements. Attainment of third party certification is also used to assess a potential supplier’s compliance to Bega Cheese standards and requirements.

It is a requirement of Bega Cheese that all suppliers review and agree to comply with the Corporate and Social Responsibility statement as noted in the code of conduct listed on our website as well as all other policies and procedures. Fair Business Practices in our code of conduct clearly states our requirement for ethical business practices, and that the use of child labour and worker exploitation is not acceptable by any of our supply chain partners.

The procurement and vendor assurance teams continue to improve the robustness of qualification of suppliers and monitoring of the supply chain to validate compliance with our business code of conduct and other requirements.

ANTI-CORRUPTION

As a responsible member of the business community, Bega Cheese acknowledges our shared role in eliminating bribery and corruption in all of its forms and promoting a more transparent global economy.

The Group supports the principles of the United Nations Convention against Corruption and, as a result have developed concrete policies and programs to implement them. Zero tolerance to fraud and corruption is supported by high standards of prevention, detection and remediation – outlined in our *Fraud and Corruption Control Plan* and *Anti-Fraud and Corruption Policy*. Both of these documents are made available to all staff and suppliers through Bega’s intranet.

PRODUCT SAFETY

As a food producer, the safety of products manufactured by the Bega Cheese Group is a priority. Our material social sustainability risks include matters relating to product safety.

Breaches may also result in significant reputational damage.

The Group's quality management systems are designed to control inputs and activities through the entire supply chain from procurement of ingredients to delivery of products to the customer. Regular simulated product traceability exercises and mock recalls are carried out to ensure we are prepared and can minimise the extent of any in market concern.

Bega Cheese is monitoring performance in this area through extensive internal analysis and review along with our complaints management process. Customers may contact us directly or through our marketing and distribution partners.

- Bega Cheese Group produced 225,000t of dairy products in FY2015
- This represents on average 9 billion serves
- Analysis shows that we have a customer complaint in less than 0.5 per million serves
- The Group has had no enforced product recalls for a food safety issue in FY2015

SERVICE TO INDUSTRY

Bega Cheese Group executives occupy positions on governance bodies of a number of industry business associations.

Bega has Executive/Board representatives at:

- Dairy Australia
- Dairy Innovation Australia Ltd.
- Gardiner Foundation

In addition, we maintain a membership across the following organisations:

- Dairy Australia
- Dairy Innovation Australia Ltd.
- Dairy Industry Association Australia- NSW,Vic
- Dairy Manufacturers Sustainability Council
- Australia Packaging Covenant
- Gardiner Foundation
- NSW Irrigators Council
- National Irrigators Council
- Dairy Research Foundation
- NSW Farmers Association

CORPORATE DONATIONS AND SUPPORT FOR COMMUNITY

In 2014-15, Bega Cheese and its wholly owned subsidiary, Tatura Milk Industries (TMI), donated nearly \$350,000 (Bega \$205,526; TMI \$140,605) to more than 80 local organisations throughout regional NSW and Victoria.

These organisations ranged from local sporting and service clubs, to hospital auxiliaries and local festivals. Significant support has been provided to Womens refuge, Disability Services, construction of respite accommodation, and Homeless services.

EMPLOYEE BENEFIT FUND

The Bega Cheese Benefit Fund exists to provide support to employees and their immediate families who are experiencing tragic, extraordinary or compassionate situations. Generally such situations will be outside the control of the employee, and other forms of support will have been exhausted.

The Fund is managed by a Committee which reflects a broad cross-section of Bega Cheese, and derives its funds from employee contributions via payroll, company donations, raffles, bequests and other forms. Regular information on the Fund and its activities is provided to employees.

Since the Fund commenced in 2000, Bega Cheese has provided to employees \$196,580 in assistance over 84 separate cases, covering areas such as medical costs, family care and support, and also sadly in cases of family death.



LOCAL AND GLOBAL ENVIRONMENT

MANAGING ENVIRONMENTAL SUSTAINABILITY RISKS

Bega Cheese Group considers local and global sustainability issues as part of every business decision.

The Group is committed to the prevention of pollution and continually improving environmental performance.

Bega Cheese recognises that environmental sustainability risks can impact our ability to secure milk from farmer suppliers, as well as risks associated with the manufacture of our products.

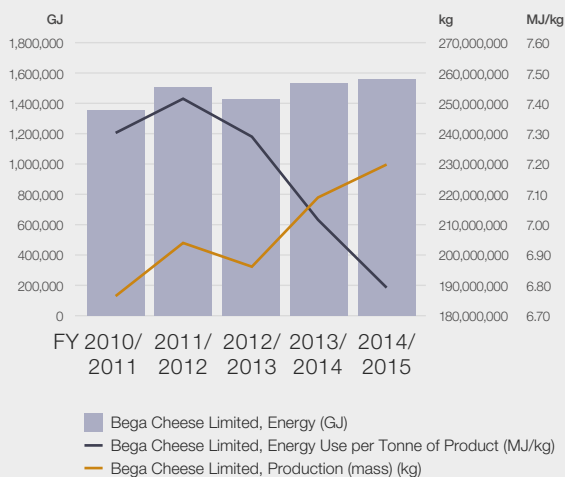
Major environmental spills, long-term environmental harm or licence breaches all represent manufacturing risks. These risks are managed by environment management systems at the manufacturing sites.

BEGA CHEESE GROUP POLICIES

Bega Cheese's *Environmental Policy Statement* communicates our commitment to the environment; our staff; our contractors; our suppliers; our customers; our regulators and the communities in which we operate – so that everyone in the Bega business understands our intentions and expectations.

The progress and outcomes from the statement are considered at Environmental Management Systems annual review meetings. Environmental KPIs for each site are used to assess the business's performance and compliance.

GROUP TOTAL ENERGY USE GJ'S PER TONNE OF PRODUCT - YTD 2010-15



Graph 5: Group total energy use per tonne of product.

ON-FARM NUTRIENT MANAGEMENT TATURA REGION

More than 20 on-farm nutrient management plans have been implemented in the Tatura, Victoria, region during FY2015 as part of Bega Cheese's farm sustainability program.

The plans are based on the industry recognised Fert\$mart model of planning and provides suppliers with the tools to make informed, profitable nutrient management decisions.

Soil tests, historical management, effluent and fertiliser use are all taken into consideration to maximise production, profitability and effective use of nutrients.

By getting soil and fertiliser management 'right', suppliers are able to maximise feed production at no extra cost while ensuring the health of the environment.

At least another 20 farmer-suppliers are signed up for developing plans in 2016.

INTERACTING WITH OUR ENVIRONMENT

Bega Cheese depends on a healthy environment for milk for dairy product manufacture. Dairy farming suppliers rely on healthy soil, rainfall and nutritious pasture for feeding cows, as well as a stable climate.

A key tool of Bega's Environmental Management System is the *Aspect and Impact Register*.

ENERGY AND WATER

The potential impact of climate change presents a real challenge to Bega Cheese in that it may impact the quality and volume of milk, as well as the costs of farming.

Each operational site has energy reduction targets, and projects are implemented to achieve these targets. Energy consumption by source is monitored and reported monthly to track progress against targets.

Approximately 20 per cent of energy consumption is in the form of waste sawdust combusted in a boiler to generate steam. Steam from sawdust – as per the NGER reporting guidelines – is not considered to generate carbon emissions, and as a result, it will continue to have an important place in the energy mix.

CO₂

Energy 2014/2015			
GJ	kg CO ₂ e, NGER, Scope 1	kg CO ₂ e, NGER, Scope 2	kg CO ₂ e, NGER, All
1,559,949	48,452,352	95,812,789	144,265,141

Table 3: Energy use 2014/15

GROUP CO₂ PER TONNE OF PRODUCT

CO ₂ per Tonne of Product	Bega Cheese Limited t-CO ₂ e, NGER, All
2010/2011	0.6869
2011/2012	0.6708
2012/2013	0.7022
2013/2014	0.6556
2014/2015	0.6281

Table 4: Group CO₂ per tonne of product

ENVIRONMENTAL – WATER (G4-EN8; G4-EN10)

Included

Aspect: Water

- Total water withdrawal by source (G4-EN8)

- Percentage and total volume of water recycled and reused (G4-EN10)

GRI G4 Indicators	2014/2015
Total water withdrawal by source (G4-EN8) [m³]	
Ground water [m ³]	348,091
Municipal water [m ³]	1,661,407
Rain water [m ³]	0
Surface water [m ³]	0
Waste water (external) [m ³]	0
Percentage and total volume of water recycled and reused (G4-EN10)	
Recycled and reused water [m ³]	617,611
Water percent recycled and reused [%]	23.5

Table 5: Water use 2014/15

AIR EMISSIONS

The Strathmerton, Coburg and Derrimut sites in Victoria do not have licenced emission points on site so they do not pose air emission risks for the community.

The Tatura Milk Industries (TMI) site at Tatura, Victoria, has driers that were licence points but the last drier was fitted with “bag house” technology which reduced the emission below the threshold required to be licenced so it is no longer environmental risk for the business or the community.

The Lagoon Street site at Bega generates steam from waste sawdust from timber mills with an EPA-licenced emission stack. The site also operates a drier which has a licenced emission stack.

The Bega NSW sites operate under a Pollution Incident Response Management Plan which is incorporated into business emergency management plans. All comments or feedback from the community about visible stack emissions are managed through the company environmental compliant management systems.

Bega Cheese is working closely with the EPA to improve air emissions while maintaining use of this renewable fuel source.

RELEASE OF WASTE WATER

Factory waste water from our sites except for Bega NSW and Strathmerton are transferred to the local municipal works for treatment. The waste water from Bega NSW and Strathmerton is irrigated on land used for pastures growing feed for dairy cows that produce our milk.

The waste water provides beneficial nutrients and minerals and reduces the amount of fertiliser applied to the pastures. The waste water also reduces the volume of water that the farmer would extract from the river or channel for irrigation.

Bega Cheese monitors the impact of irrigation on soil through extensive soil sampling and analysis at the Bega NSW and Strathmerton sites. A report is submitted annually to the EPA, and continuous improvement actions are identified and implemented. Minerals concentration in waste water used for irrigation can affect soil structure and pasture health, so minerals loading targets are set and KPIs are calculated and reported monthly and trends are monitored.

At the Bega Cheese site in Bega NSW the reuse of wastewater for irrigation is carefully managed to minimise risk to local water bodies and waste water is stored during significant rain events.

The reuse of the stored waste water provides opportunity for the team to be holistic in our water management and reuse strategy. The Environment team has been collaborating with a number of consultants to develop and design a waste water management system that best suits our operation and to manage potential odour risk from the use of the stored waste water. These activities are developing innovative ways to treat waste water that have the potential to change the future of waste water management and deliver a more holistic and sustainable solution. Bega Cheese is engaging with the local community through this process and appreciates their support as we work with the EPA to deliver the best solution.

POTABLE WATER USE PER TONNE

	KL/t
2010/2011	13.31
2011/2012	9.45
2012/2013	9.20
2013/2014	7.63
2014/2015	8.75

WASTE WATER PER TONNE OF PRODUCT

	KL/t
2010/2011	9.89
2011/2012	9.81
2012/2013	9.80
2013/2014	9.87
2014/2015	10.01

Table 6: Potable water use and waste water per tonne.

PRODUCT STORAGE AND TRANSPORT

Bega Cheese understands there are activities beyond its control which fall outside the *Aspects and Impact Register*, particularly in regards to the transport of both milk and finished product.

The exception is in relation to the storage of products within the transport.

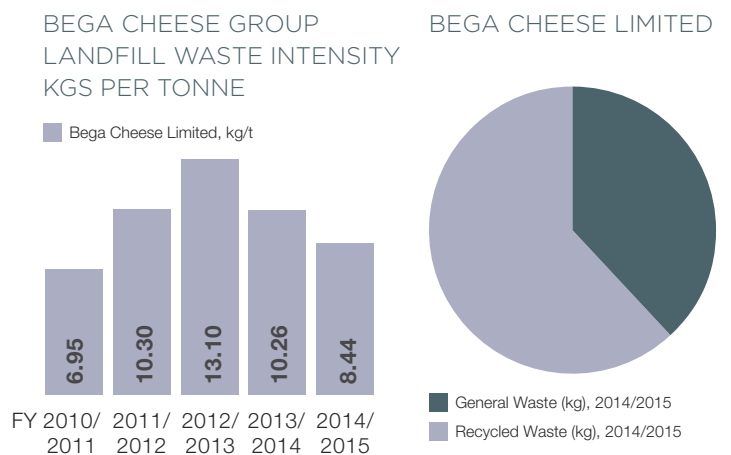
Bega Cheese designs the storage of products on a pallet to promote efficient use of space and to maximise the fuel efficiency per load. The pallets are also refurbished for reuse.

SOLID WASTE

Dairy manufacturing generates solid waste that is transferred to landfill. However the cheese production process incorporates a number of recovery systems that reduce cheese waste. Cheese loss in the form of trimmed waste from finished natural cheese blocks are used as an ingredient for processed cheese production.

Solid waste intensity across the Group varies. The Chart below shows the change in landfill waste intensity for the Group per tonnes of product produced over the last 5 years.

Currently the film that protects Bega Cheese natural cheese product is not recyclable due to the multiple layers required to maintain freshness. The Product Development team designs packaging in line with the Australian Packaging Covenant (APC) Sustainable Packaging Guidelines to minimise the environmental impact of packaging materials – including impact as waste in landfill.



Graph 6: Solid waste



The objectives of the procurement and packaging policy are to comply with the Australian Packaging Covenant (APC) and follow its sustainable packaging principles, implement sustainable procurement and packaging development practices, and continually improve packaging systems to achieve environmental goals.

The strategies to achieve these objectives are:

- Promote sustainable procurement and packaging throughout the company and to our customers and suppliers;
- Review existing packaging for opportunities to reduce environmental impact;
- Embed sustainable packaging principles in new product development processes;
- Where practicable use sustainable suppliers and services;
- Support the use of recycled products and the recycling industry.

Implementing these strategies is a responsibility of all Bega Cheese staff involved in the purchase or development of products and packaging.

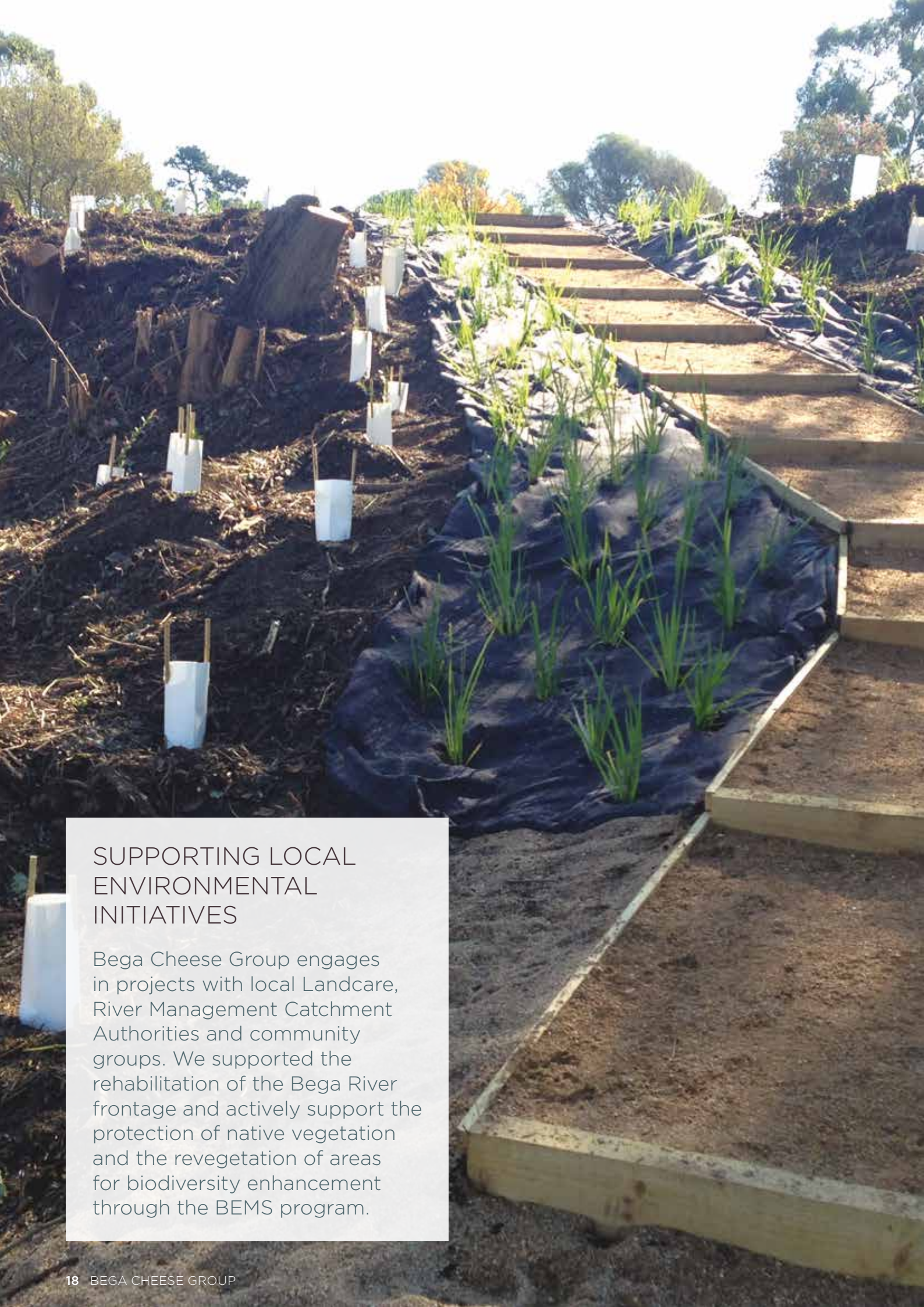
PLASTIC RECYCLING GOOD FOR THE ENVIRONMENT AND THE BOTTOM LINE

Bega Cheese has forged an alliance with small Melbourne recycling company Polymer Holdings to recycle all the plastic waste produced by its manufacturing facility at Strathmerton, Victoria.

The new alliance with Polymer means no plastic waste produced at the Strathmerton site will go to landfill, which is good for the company's bottom line and the environment.

Polymer separates, cleans and chips the wastes it gets to make a base material. This plastic raw material is sold to other manufacturing businesses that produce a range of products, including plastic pallets, film sheets, stadium seats, plastic-wood decking and outdoor furniture.

All reclaimed product is used locally in Australia, which supports more Australian jobs.



SUPPORTING LOCAL ENVIRONMENTAL INITIATIVES

Bega Cheese Group engages in projects with local Landcare, River Management Catchment Authorities and community groups. We supported the rehabilitation of the Bega River frontage and actively support the protection of native vegetation and the revegetation of areas for biodiversity enhancement through the BEMS program.

GLOSSARY

TERMS

APC

Australian Packaging Covenant

BEMS

Bega Cheese Environmental Management System

DPI Water IPART

NSW Department of Primary Industries Water Independent Pricing and Regulatory Tribunal

Fert\$mart

A program of Dairy Australia developed to improve the efficiency and profitability of fertiliser use and to improve soil health on Australian dairy farms.

GRI

Global Reporting Initiative

HACCP

HACCP Australia delivers specialised food safety programs

KPI

Key Performance Indicator

NGER

National Greenhouse and Energy Reporting under the *Commonwealth National Greenhouse and Energy Reporting Act 2007*

TMI

Tatura Milk Industries, a wholly owned subsidiary of Bega Cheese.

UNITS

CO₂e

Carbon dioxide equivalent, a standard unit for measuring carbon.

gj

Gigajoule, equal to one billion (10⁹) joules of energy.

kg

Kilogram, unit of mass equal to 1000 grams.

LTIFR

Lost Time Injury Frequency Rate calculated as the number of lost-time injuries relative to the total number of hours worked during the reporting period.

ml

Megalitre, a unit of volume equivalent to 1 million litres.

mj

Megajoule, equal to one million (10⁶) joules of energy.

t

Tonnes, unit of mass equal to 1,000 kilograms.

TRIFR

Total Recordable Injury Rate calculated as injuries relative to the number of hours worked during the reporting period.

GRI NAVIGATION INDEX

BEGA CHEESE GROUP 2015 REPORTING CONTENT INDEX

Our Sustainability Report and Annual Report 2015 contain Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. The Content Index 2015 indicates the sections of our Sustainability Report and Annual Report that align with the GRI G4 Guidelines.

General Standard Disclosures			
G4	Disclosure ¹	Location	
		Page	Other sources, notes or omissions
Strategy and analysis			
G4-1	Statement from the most senior decision maker	1	
Organisational profile			
G4-3	Name of the organisation	3	
G4-4	Primary brands, products & services	3	www.begacheese.com.au/products/
G4-5	Location of headquarters	24	Bega Cheese Annual Report 2015 – Entity information page 82
G4-6	Countries of operations	3-4	
G4-7	Nature of ownership	3-5	Bega Cheese Annual Report 2015 - Shareholder information page 79 www.begacheese.com.au/wp-content/uploads/2013/10/Constitution-Oct-2013.pdf
G4-8	Markets served	4	www.begacheese.com.au/export/
G4-9	Scale of the organisation	3-4	
G4-10	Number of employees	1, 11	
G4-11	Employees covered by collective bargaining agreements	11	
G4-12	Description of supply chain	6-7	
G4-13	Significant changes to the organisation	1	Bega Cheese Annual Report 2015 – Executive Chairman’s Review pages 4-5
G4-14	Use of the precautionary principle	1, 14	www.begacheese.com.au/wp-content/uploads/2012/10/Risk-Management-Policy-v2-0.pdf
G4-15	List of charters, principles or initiatives subscribed		Bega Cheese is a signatory to the Australian Packaging Covenant www.packagingcovenant.org.au/
Identified material aspects and boundaries			
G4-16	Memberships of associations	13	Bega Cheese Annual Report 2015 – Director’s Report page 16-17
G4-17	Entities included in financial statements	3-4	Bega Cheese Annual Report 2015 – Entity information page 82
G4-18	Defining report content	5	
G4-19	Material aspects identified	5	
G4-20	Aspect boundary within the organisation	5	
G4-21	Aspect boundary outside the organisation	5	
G4-22	Restatements of information		As a first report, there are no restatements.

¹ The description of the disclosures has been summarised. For the full text of disclosures see www.globalreporting.org

General Standard Disclosures			
G4	Disclosure ²	Location	
		Page	Other sources, notes or omissions
Identified material aspects and boundaries (cont.)			
G4-23	Significant changes to scope and aspect boundaries		As a first report, are no changes to scope or aspect boundaries.
Stakeholder engagement			
G4-24	List of stakeholder groups engaged by the organisation	5	Bega Cheese Group undertakes stakeholder engagement as part of specific projects and regulatory requirements. No specific stakeholder engagement was undertaken to determine content for the first report and this will be addressed in the next reporting cycle.
G4-25	Basis for identification of stakeholders		
G4-26	Approach to stakeholder engagement		
G4-27	Topics raised by stakeholders		
Report profile			
G4-28	Reporting period	5	Bega Cheese Annual Report 2015 – Entity information page 82
G4-29	Date of previous report		This is Bega Cheese Group's first Sustainability Report.
G4-30	Reporting cycle	5	Bega Cheese Annual Report 2015 – Entity information page 82
G4-31	Contact point for questions	24	Bega Cheese Annual Report 2015 – Entity information page 82
G4-32	In accordance option of GRI	20	
G4-33	Assurance	5	
Governance			
G4-34	Governance structure		Bega Cheese Annual Report 2015 – Director's Report pages 16-19
Ethics and integrity			
G4-56	Values, principles, codes of conduct	12	www.begacheese.com.au/wp-content/uploads/2014/03/Bega-Cheese-Code-of-Conduct-Nov-2013.pdf

² The description of the disclosures has been summarised. For the full text of disclosures see www.globalreporting.org

GRI NAVIGATION INDEX (CONT.)

Specific Standard Disclosures				
Material aspect	DMA and indicators		Page	Other sources, notes or omissions
Economic performance	G4-DMA		8-9	Bega Cheese Annual Report 2015 – Executive Chairman’s Review pages 4-5
	G4-EC1	Direct economic value	8-9	Bega Cheese Annual Report 2015 – Financial Statements pages 37-41
Procurement practices	G4-DMA		6-7	Bega Cheese Annual Report 2015 – Milk Sustainability & Growth Program page 6
	G4-EC9	Spending on local suppliers	6-7	
Energy	G4-DMA		14-15	
	G4-EN5	Energy intensity	14-15	Bega Cheese Annual Report 2015 – Chief Executive Officer’s Review of Operations and Activities page 14
Water	G4-DMA		15-16	
	G4-EN8	Total water withdrawal	15	
Emissions	G4-DMA		15	
	G4-EN15	Direct CO ₂ emissions	15	
	G4-EN16	Energy indirect CO ₂ emissions	15	
	G4-EN18	Greenhouse gas emissions intensity	15	
Effluents & Waste	G4-DMA		16	
	G4-EN22	Total water discharge	16	
	G4-EN23	Total weight of waste	16	
Products and Services	G4-DMA		17	
	G4-EN28	% of products & packaging reclaimed	17	
Compliance	G4-DMA			Bega Cheese Annual Report 2015 – Director’s Report pages 19-20
	G4-EN29	Monetary value of significant fines		No material fines were recorded this year for breaches of environmental laws and regulations.
	G4-EN32	% of new suppliers that were screened	6-7	
Employment	G4-DMA		1	
	G4-LA1	Employees		This information is currently unavailable due differences between Bega & Tatura.
Occupational health & safety	G4-DMA		11-12	www.begacheese.com.au/wp-content/uploads/2014/03/Bega-Cheese-Code-of-Conduct-Nov-2013.pdf
	G4-LA6	Rates of injury	11-12	
Training & Education	G4-DMA		12	
	G4-LA9	Average hours of training per year		This information is currently unavailable due to differences between Bega and Tatura.
Diversity and equal opportunity	G4-DMA		11	www.begacheese.com.au/wp-content/uploads/2014/07/Diversity-Policy-v1.1.pdf
	G4-LA12	Composition of governance bodies	11	Bega Cheese Annual Report 2015 – Corporate Governance Statement pages 31-32
Anti-corruption	G4-DMA		12	www.begacheese.com.au/wp-content/uploads/2014/03/Bega-Cheese-Code-of-Conduct-Nov-2013.pdf
	G4-SO4	Training on anti-corruption	12	

Specific Standard Disclosures				
Material aspect	DMA and indicators		Page	Other sources, notes or omissions
Product safety	G4-DMA		13	
	G4-PR2	Health & safety impacts of products	13	
Product & service labelling	G4-DMA			www.begacheese.com.au/wp-content/uploads/2014/05/EMS-POL03-Procurement-Packaging-Policy.pdf
	G4-PR4	Product information and labelling		No incidents of non-compliance with regulations & voluntary codes concerning product information & labelling during the year.
Compliance	G4-DMA			
	G4-PR9	Provision and use of products and services		There were no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services during the year.
Animal welfare ³	G4-DMA		7	

³ Outlined in GRI's Food Processing Sector Disclosures document



BEGA HEAD OFFICE AND
PROCESS, CUT & PACKAGING UNIT

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BEGA CHEESE DAIRY PRODUCTS UNIT

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TATURA DAIRY PROCESSING UNIT

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DERRIMUT – CANNING FACILITY

11 Benn Court, Derrimut VIC 3030 Australia

COBURG – DAIRY PRODUCTS UNIT

10-16 Allenby Street, Coburg VIC 3058 Australia

STRATHMERTON – PROCESS, CUT & PACKAGING UNIT

Murray Valley Highway, Strathmerton VIC 3641 Australia

PORT MELBOURNE – COMMERCIAL OFFICE

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